

MEMORANDUM

TO: James J. Jochum
Assistant Secretary
for Import Administration

FROM: Ronald K. Lorentzen
Acting Director, Office of Policy

SUBJECT: Issues and Decision Memorandum for the Full Sunset Review of the Countervailing Duty Order on Stainless Steel Wire Rod from Italy: Final Results

Summary:

We analyzed the substantive responses and rebuttals of the interested parties in the full sunset review of the countervailing duty order on Stainless Steel Wire Rod (“SSWR”) from Italy. We recommend that you approve the positions we have developed in the *Discussion of the Issues* section of this memorandum for these final results of review. Below is the complete list of the issues in this full sunset review for which we received substantive responses by parties:

1. Likelihood of continuation or recurrence of countervailable subsidies
2. Net countervailable subsidy likely to prevail
3. Nature of the subsidy

History of the Order:

On September 15, 1998, the Department published the countervailing duty order on SSWR from Italy. See Notice of Countervailing Duty Order: Stainless Steel Wire Rod from Italy, 63 FR 49334 (September 15, 1998). In the final affirmative countervailing duty determination, the following seventeen programs were found to confer countervailable subsidies:

Government of Italy

- 1) *Equity Infusions to Finsider and ILVA*
- 2) *Pre-Privatization Assistance and Debt Forgiveness*
- 3) *Capacity Reduction Payments Under Law 193/1984*
- 4) *Law 796/76 Exchange Rate Guarantees*
- 5) *Export Credit Financing Under Law 227/77*
- 6) *Law 451/94 Early Retirement Benefits*

Italian Regional Programs:

- 1) *Lease of Cogne Industrial Site*
- 2) *Loans Provided to CAS to Transfer Its Property*
- 3) *Valle D'Aosta Regional Law 64/92*
- 4) *Valle D'Aosta Regional Law 12/87*
- 5) *Lease of Bolzano Industrial Site*
- 6) *Lease Exemption to Valbruna/Bolzano*
- 7) *Province of Bolzano Law 25/81*
- 8) *Electricity¹*
- 9) *Waste Plant*

European Union:

- 1) *ECSC Article 54 Loans*
- 2) *European Social Fund*

See Final Affirmative Countervailing Duty Determination: Certain Stainless Steel Wire Rod from Italy, 63 FR 40474 (July 29, 1998), (“Final Determination”). The Department determined a countervailing

¹ In the investigation we found that these two last programs (Electricity and Waste Plant) do not exist. However, we noted that if the investigation resulted in an order, we would review these allegations in any subsequent review to determine whether a benefit would have been provided to CAS. See Final Determination. Accordingly, these programs are included for informational use only because CAS has been excluded from the order.

duty rate of 22.2 percent for Cogne Acciai Speciali S.r.l. (“CAS”); and 1.28 percent for Acciaierie Valbruna S.r.l. and Acciaierie Bolzano S.r.l. (collectively Valbruna). The Department determined the all others rate at 13.85 percent *ad valorem*.

The Department completed only one administrative review of the subject countervailing duty order. See Stainless Steel Wire Rod From Italy: Notice of Final Results of Countervailing Duty Administrative Review, 67 FR 63619 (October 15, 2002) (“Administrative Review”). Four other reviews were requested but later rescinded. In the review, the Department calculated the countervailable subsidy rate solely for the exporter Valbruna. *Id.* The Department determined only 5 programs (see below) conferred subsidies at the net subsidy rate of 0.27 percent for Valbruna. *Id.*

- 1) *Law 451/94 Early Retirement Benefits - .09 percent*
- 2) *Province of Bolzano Law 25/81 (Articles 13-15) - .07 percent*
- 3) *Province of Bolzano Law 25/81 (Environmental and Research and Development Assistance) - de minimis*
- 4) *Lease of Bolzano Industrial Site - 0.11 percent*
- 5) *The European Social Fund - de minimis*

In the administrative review the Department noted that Acciaierie Valbruna S.r.l. and Acciaierie Bolzano S.r.l. merged, effective January 1, 2000, and that the name of the merged companies changed to Acciaierie Valbruna S.p.A.

On August 1, 2003, the Department initiated a sunset review of the countervailing duty (“CVD”) order on SSWR from Italy pursuant to section 751(c) of the Tariff Act of 1930, as amended (“the Act”). See Initiation of Five-Year (Sunset) Reviews, 68 FR 45219 (August 1, 2003). The Department received substantive responses from Carpenter Technology Corporation,² (the domestic

²Carpenter Technology, AL Tech Specialty Corporation, Republic Engineered Steels, and Talley Metals Technology, Inc. filed the original petition. Since the order, Carpenter Technology acquired Talley Metals

interested party), CAS, the Government of Italy, and the European Union within the applicable deadlines specified in 19 CFR 351.218(d). See Response of Carpenter Technology (August 18, 2003), CAS (September 2, 2003), GOI (August 28, 2003), and the EC (August 29, 2003).

However, because CAS has been excluded from the original order as a result of the Section 129 determination and is therefore no longer an interested party in this sunset proceeding, its comments will not be addressed. In addition, any comments submitted by Carpenter Technology, the EC, and the GOI pertaining to CAS or to programs specific to CAS have been rendered moot by CAS' exclusion and will not be addressed.

Pursuant to 19 C.F.R. § 351.218(e)(2)(i), the Department determined to conduct a full (240-day) sunset review of this order. See Memorandum for Ronald K. Lorentzen, Re: Stainless Steel Wire Rod from Italy, Adequacy of Respondent Interested Parties' Response to the Notice of Initiation (September 24, 2003).

In the Issues and Decision Memorandum for the Determination under Section 129 of the Uruguay Round Agreements Act: Final Affirmative Countervailing Duty Determination: Stainless Steel Wire Rod from Italy, October 24, 2003, ("Section 129 Memo"), the Department determined that the privatization of CAS was at arm's-length and for fair-market-value, and that allegations of broader market distortions were not sufficiently supported. Accordingly, any allocable, non-recurring subsidies granted to CAS prior to its privatization were extinguished in their entirety and, therefore, are non-countervailable. On November 7, 2003, the U.S. Trade Representative requested the Department, pursuant to section 129(b)(4) of the Uruguay Round Agreements Act, to implement the determination

Technology, Inc.

in the Section 129 Memo. See Notice of Implementation under Section 129 of the Uruguay Round Agreements Act, 68 FR 64858, (November 17, 2003). Accordingly, the Department excluded CAS from the countervailing duty order on certain stainless steel wire rod from Italy and revised the “all others rate.” Id. at 16.

Therefore, rates from the original investigation are now as follows:

Valbruna	1.28 percent
All others	1.28 percent

No changed circumstances reviews were completed in relation to this order. Thus, the order remains in effect for all known producers and exporters of SSWR from Italy, except for CAS, effective November 7, 2003.

From our analysis, we preliminarily determined that revocation of the countervailing duty order would likely lead to continuation or recurrence of a countervailable subsidy at the rate of 0.82 for Valbruna and all other Italian producers and exporters. See Notice of Preliminary Results of Full Sunset Review: Stainless Steel Wire Rod from Italy, 69 FR 10205 (March 4, 2004) (“Preliminary Results”). The preliminary sunset determination reflected the Department’s implementation with regards to the exclusion of CAS from the order pursuant to the Department’s Section 129 determination. As a result of the exclusion of CAS from the order, the following CAS-specific programs were no longer subject to consideration in this sunset review:

- 1) *Equity Infusions to Finsider and ILVA*
- 2) *Pre-Privatization Assistance and Debt Forgiveness*
- 3) *Lease of Cogne Industrial Site*
- 4) *Italian Regional Programs to Provide Electricity*
- 5) *Italian Regional Programs to Provide Waste Disposal Services*

- 6) *Loans Provided to CAS to Transfer Its Property*
- 7) *Valle D'Aosta Regional Law 64/92*
- 8) *Valle D'Aosta Regional Law 12/87*

Accordingly, we considered the following programs in the preliminary determination:

- 1) *Capacity Reduction Payments Under Law 193/1984*
- 2) *Law 796/76 Exchange Rate Guarantees*
- 3) *Export Credit Financing Under Law 227/77*
- 4) *Law 451/94 Early Retirement Benefits*
- 5) *Lease of Bolzano Industrial Site*
- 6) *Lease Exemption to Valbruna*
- 7) *Province of Bolzano Law 25/81*
- 8) *ECSC Article 54 Loans*
- 9) *European Social Fund*

We preliminarily determined that countervailable subsidies from Law 796/76 Exchange Rate Guarantees and the Lease Exemption to Valbruna would not likely continue or recur if the order were revoked. Id. As a result of the exclusion of CAS pursuant to Section 129 and our preliminary determination of this sunset review, only 7 programs from the investigation remain for consideration of whether to revoke this countervailing duty order. Id.

On April 21, 2004, the Department received identical case briefs from the GOI and the EC. See Case Briefs from the EC and the GOI re: Sunset Review of the Countervailing Duty Investigation: Stainless Steel Wire Rod from Italy (April 19, 2004) (“Case brief”).

This memorandum discusses all issues to determine finally whether to revoke this countervailing

duty order.

Discussion of the Issues:

In accordance with section 751(c)(1) of the Act, the Department is conducting this review to determine whether revocation of the countervailing duty order would be likely to lead to continuation or recurrence of a countervailable subsidy. Section 752(b) of the Act provides that, in making this determination, the Department shall consider the net countervailable subsidy determined in the investigation and subsequent reviews and whether any change in the programs which gave rise to the net countervailable subsidy has occurred that is likely to affect that net countervailable subsidy.

Pursuant to section 752(b)(3) of the Act, the Department shall provide to the International Trade Commission (“the Commission”) the net countervailable subsidy likely to prevail if the order is revoked.

In addition, consistent with section 752(a)(6) of the Act, the Department shall provide to the Commission information concerning the nature of the subsidy and whether it is a subsidy described in Article 3 or Article 6.1 of the 1994 WTO Agreement on Subsidies and Countervailing Measures (“Subsidies Agreement”).

Below we address the case briefs of the interested parties. Due to numerous programs determined to be countervailable during the investigation, we address the interested parties’ comments by category in the following order.

Comment 1: General Comments regarding the Preliminary Sunset Determination

Comment 2: Article 54 ECSC Loan Program

Comment 3: European Social Fund

Comment 4: Capacity Reduction Payments under Law 193/84

Comment 5: Bolzano Provincial Law 25/81

Comment 6: Law 451/94 Early Retirement

Comment 7: Lease of Bolzano Industrial Site

Comment 8: EC Steel Aid Code

Comment 9: Export Credit Financing under Law 227/77 (the “Valmix loan”)

1. Continuation or Recurrence of a Countervailable Subsidy: Interested Parties' Comments

Comment 1:

The GOI and the EC argue that our preliminary determination does not properly reflect the real, negligible level of subsidy likely to prevail if the order were terminated. See Case Brief (no pagination). The GOI and the EC contend that the Department ignored its own findings in the administrative review of this order covering the calendar year of 2000. Id. The GOI and EC also argue that the administrative review calculation of a net subsidy rate of 0.27 percent demonstrates that any subsidies found at the time of the original investigation have fallen to negligible levels and no new subsidies were found. Id. Therefore, the Department must find that any level of likely subsidization is far lower than 0.50 percent and terminate this order. Id.

Department Position: In making a sunset determination, the Department shall consider the net countervailable subsidy determined in the investigation and subsequent reviews and whether any change in the program which gave rise to the net countervailable subsidy has occurred and is likely to affect that net countervailable subsidy. See Section 752(b) of the Act. As discussed below, the Department has determined that seven programs have been terminated and that the margin likely to prevail is indeed below *de minimis*.

Comment 2: Article 54 ECSC Loan Program

The GOI and the EC argue that the Department should conclude from our results in the administrative review that no companies under review were still benefitting from Article 54 ECSC schemes and that there was no likelihood that new loans would be granted to the Italian producers of

wire rod before the expiration of the ECSC Treaty. See Case Brief. In addition, the GOI and EC provided legislative documentation, Decision COM(94)269, purporting to show that (1) Article 54 loans will continue to be granted to the extent justified by the restructuring of the sectors, and (2) the EC will no longer consider applications received after June 30, 1994 for these loans. Id. at Annex 1, paragraphs 1 and 2.

Department Position: We confirmed in our preliminary results of this sunset review that the ECSC Treaty expired in July 2002. See Preliminary Results. However, at the preliminary stage of this review, we had not received sufficient documentation from the GOI to determine whether the GOI and EC eliminated Article 54 loans given to Italian producers. See Substantive Responses of the GOI and the EC (August 28, 2003 and August 29, 2003, respectively). We now have legislative documentation showing that some Article 54 loan applications could not have been accepted after the restructuring of the Italian steel sector or after June 30, 1994. However, Decision COM(94)269 allows the EC to continue to grant Article 54 loans to the extent justified by the restructuring of the sectors and retain the right to examine requests of Article 54 loans for large infrastructure projects. After reviewing the submitted documentation, we determine that Italian producers/exporters may still have access to receive benefits from the above program. As such, we determine that Article 54 program continues to exist and has the potential to provide countervailable benefits were the order to be revoked.

Comment 3: European Social Fund

The GOI and the EC continue to argue that the Department has enough information that the European Social Fund is non-specific after the EC substantively modified the program after 2000, the

year of our administrative review, thus removing the reasons for which the program was found countervailable. See Case Brief. The GOI and the EC contend that the Department must analyze the nature of an alleged subsidy in an administrative review in the face of “compelling” evidence. Id.

Department Position: We explained in the administrative review and in the preliminary results of this review that the subsidy from this program is so small as to not affect the overall *de minimis* rate for Valbruna. See Administrative Review and Preliminary Results. No new information, evidence of changed circumstances, or comments from interested parties were presented in this sunset review to warrant any reconsideration of this approach. Accordingly, our approach with respect to this program remains unchanged from the Preliminary Results. Thus, based on the evidence on the record, we determine that benefits of the European Social Fund are likely to continue or recur were the order revoked.

Comment 4: Capacity Reduction Payments under Law 193/84

The GOI and the EC assert that grants under *Law 193/84* were terminated in 1986 and are, therefore, no longer available to the Italian steel industry. See Case Brief at item 3. The GOI and EC cite and provide three documents that clarified that Law 193/84 ceased to confer benefit: (1) our investigation in certain steel from Italy, C-475-808³; (2) EC Decision 2320/81/ECSC (August 7, 1991) providing assistance for a massive restructuring of the steel industry over a duration of two years, 1983-84 (no longer in force); and (3) Commission Decision 1018/85/ECSC (April 19, 1985) extending aid

³Final Affirmative Countervailing Duty Determinations: Certain Steel Products from Italy, Part IV, 58 FR 37327 at 37332 (July 9, 1993).

for one additional year to restructure the steel industry as well as assisting in steel-making capacity reduction (no longer in force). Id. and Annexes 2 and 3. The GOI and the EC also note that in light of the 12-year AUL we used to determine countervailable subsidies in the original investigation, this law ceased to confer any benefit well before this sunset review. Id. Moreover, the EC introduced stricter state aid codes that forbid granting new state aid, such that Law 193/984 is clearly unlikely to be reinstated in the future. Id.

Department Position: We determined in our original investigation that Valbruna was the only company that used this program. See Final Determination. In the administrative review, we found that Valbruna did not use the benefits granted under *Capacity Reduction Payments under Law 193/84.* See Administrative Review at 67 FR at 63620. The Policy Bulletin provides that where a program is eliminated, we must consider the legal method of elimination of a countervailable program and likelihood of reinstatement. See Policy Bulletin 98-3, Section III(A)(5), 63 FR 18871 at 18875 (“Policy Bulletin”). The EC and GOI provided documentation in the annexes of its Case Brief to clarify that the EC terminated this program after 1986 and provide the link between the original investigation and information submitted in its initial response. See Substantive Responses of the GOI and the EC at Annex 3. Because the EC has withdrawn its permission for the Italian (and other European governments) to provide the type of aid that Italian Law 193/1984 provided and because this program terminated without residual benefits, we find that this program is unlikely to lead to continuation or recurrence of a countervailable benefit.

Comment 5: Bolzano Provincial Law 25/81

The GOI and EC provided a European Court of Justice (“ECJ”) judgment regarding capacity reduction payments under ECSC and Bolzano Law 25/81 (C-75/00, Falck v. Commission, September 24, 2002)(“Falck”). In Falck the ECJ determined that Bolzano Law 25/81 was not in accordance with the law governing European assistance programs. See Case Brief, Annex 4. The Falck court, as the GOI and EC note, ordered the GOI to recover the financial aid plus interest paid to Valbruna from January 1, 1986. Id. The GOI and EC affirm that the Autonomous Region of Bolzano has been repaid. See Case Brief. The governments also state that any benefit stream from assistance before 1986 is now terminated. Id. According to the ECJ decision, any such illegal state aid program is not likely to be reinstated. Id.

Department Position: In the Final Determination, we held that Falck, Valbruna’s predecessor, repaid the grant after the European Union found the aid to be illegal and ordered the repayment of all grants and loans made to Valbruna which were approved after January 1, 1986. See Final Determination at 40486. However, Falck appealed the repayment order, raising the possibility of retrieving its payment. In the Final Determination we promised to reconsider the repayment issue once a final judgment concerning Falck’s appeal had been issued. In the Administrative Review, we found that given the diminished prospects for Falck to recover the amount it had repaid after the loss of its first appeal, there was no benefit to Bolzano or Valbruna from the grants and loans received under this program after January 1, 1986 and, on that basis calculated a subsidy of 0.07 percent. See Administrative Review at 67 FR at 63619 (affirming preliminary results at 67 FR 39360). We have determined that it is appropriate to reflect the results of that review in the final results of this sunset review consistent with the guidance set forth in section III.B.3 of the Policy Bulletin. Therefore, we are

adjusting the rate likely to prevail for this program to 0.07 percent to reflect the changes made in the Administrative Review.

Comment 6: Law 451/94 Early Retirement

The GOI and EC request that the Department determine that countervailable subsidies provided by Law 451/94 (“Early Retirement”) are negligible. Id. The foreign governments cite to our preliminary results of the administrative review of this order to confirm we acknowledge that this program terminated. Id. (citing to Stainless Steel Wire Rod from Italy: Notice of Preliminary Results of Countervailing Duty Administrative Review, (“Preliminary Administrative Review”) 67 FR 39357 (June 7, 2002)). The GOI and EC argue that it appears evident that (a) the program terminated in 1996, and (b) the number of workers who are still receiving benefits has consistently decreased; accordingly, the amount of outstanding subsidy is clearly *de minimis*. Id.

Department Position: We did state in the Final Determination and the Administrative Review that Law 451/94 authorized early retirement packages for steel workers between 1994 and 1996 for a maximum of ten years. See Final Determination at 11 and Preliminary Administrative Review at 39359. Because this record evidence indicates that this program may continue to provide benefits until 2006, we find it likely that countervailable subsidies will continue if this order were revoked.

Comment 7: Lease of Bolzano Industrial Site

The GOI and EC did not comment or provide any information regarding the lease of the

Bolzano Industrial Site. See Case Brief.

Department Position: No new information, evidence of changed circumstances, or comments from interested parties were presented in this sunset review to warrant any reconsideration of this approach. Accordingly, our approach with respect to this program remains unchanged from the Preliminary Results. Therefore, we determine that this program continues to exist and would continue to provide countervailable subsidies were the order to be revoked.

Comment 8: EC Steel Aid Code

The GOI and EC contend that the EC Steel Aid Code only authorizes subsidies regarding the environment and research and development in certain circumstances, and in this case, there is no evidence that Valbruna has been granted or likely to receive such subsidies. Id.

Department Position: The EC Steel Aid Code was not examined at any time during this order. Therefore, we are not making any determination of countervailability in the course of this sunset review.

Comment 9: Export Credit Financing under Law 227/77 (the “Valmix loan”)

In the case brief the GOI and EC argue that the Valmix loan is no longer in force because the program has been replaced by Decreto Legislativo 31 March 1998 n. 143, a program that fully complies with OECD guidelines for Officially Supported Export Credits. See Case Brief and its Annex 6. Therefore, the GOI and EC request that the Department revise its determination to conclude: 1) the Valmix loan is definitely terminated; 2) Italian legislation has been brought in compliance with the OECD guidelines; and 3) Decreto Legislativo n. 143 provides no countervailable subsidy. Id. Thus,

the GOI and EC argue that the Department should find no likelihood that the Valmix loan will be reinstated.

Department Position: We note that the GOI and EC did not discuss the Valmix loan in their substantive responses.

In the investigation the Department referred to the Valmix Loan as a countervailable export subsidy. Under this law, the GOI provides low-interest loans to exporters and remission of taxes on export credit insurance. This program was also investigated in *Certain Pasta* (61 FR 30288, (June 14, 1996)) and the remission of taxes was found to be countervailable. In their case brief, GOI and EC provided no comments on the nature of this specific loan but noted that this loan had a duration of 18 months and expired before the year 2000 and that in the first administrative review was found not to be used. The GOI and EC argued that the Export Credit Financing under 227/77 was replaced by Decreto Legislativo 31 March 1998 n. 143 to make it consistent with the OECD Guidelines. See Case Brief at Annex 6 (Decreto Legislativo 31 March 1998 n. 143). We note that this program appears to have been replaced by the new export credit financing program which the EC and the GOI argue is OECD-consistent and therefore non-countervailable. There is insufficient information on the record to determine that the replacement program is in fact, non-countervailable, and that revocation of a countervailing duty order is unlikely to lead to continuation or recurrence of a countervailable subsidy. Therefore, we determine that benefits from this program would continue or recur were this order to be revoked.

2. Net Countervailable Subsidy Likely to Prevail

Interested Parties Comments

The GOI and the EC assert that the Department must find that the level of any subsidization likely to prevail is far lower than 0.50 percent *de minimis* and that the Department should terminate the order in question. See Case Brief .

Department's Position

In the Policy Bulletin, the Department states that, consistent with the SAA and House Report, the Department normally will select a rate from the investigation as the net countervailable subsidy likely to prevail if the order is revoked, because that is the only calculated rate that reflects the behavior of exporters and foreign governments without the discipline of an order in place. However, this rate may not be the most appropriate rate if, for example, the rate was derived from subsidy programs which were found in subsequent reviews to be terminated, there has been a program-wide change, or the rate ignores a program found to be countervailable in a subsequent administrative review. In such cases, the Policy Bulletin provides for adjustments to be made to the investigation rate to reflect intervening changes in the subsidy programs originally found countervailable. Additionally, where the Department determined company-specific countervailing duty rates in the original investigation, the Department normally will report to the Commission company-specific rates from the original investigation or where no company-specific rate was determined for a company, the Department normally will provide to the Commission the country-wide or "all-others" rate. See Policy Bulletin at section III.B.

In accordance with section 752(b)(1)(B) and paragraph III.B.3 of the Policy Bulletin, we subtracted the appropriate rates for programs that had conferred subsidies. We provided interested

parties an opportunity to comment on our preliminary results. We did not receive comments from the domestic interested parties. However, we received comments from GOI and EC. No public hearing was conducted by the Department because none was requested by parties. In their case briefs, GOI and EC provided comments and supporting documents in response to the Department's preliminary determination. We reviewed the case briefs and supporting documents and made rate adjustments with respect to the programs, where appropriate. As a result of the rate adjustments, the net countervailable subsidy rate is now below *de minimis* levels.

We agree with the GOI and EC that the level of subsidization likely to prevail is lower than 0.50 percent. As discussed in paragraph III.B.1 of the Policy Bulletin, the Department normally will provide to the Commission the net countervailable subsidy that was determined in the original investigation. However, the purpose of the net countervailable subsidy in the context of sunset reviews is to provide the Commission with a rate which represents the countervailable rate that is likely to prevail if the order is revoked. In accordance with section 752(b)(4)(B) of the Act and 19 CFR 351.106(c)(1), the Department will treat as *de minimis* any overall countervailable subsidy rate that is less than 0.50 percent ad valorem or the equivalent specific rate.

In the sunset review on Live Swine from Canada, the Department determined a *de minimis* net subsidy rate and as a result revoked the order. See Final Results of Full Sunset Review: Live Swine From Canada, 64 FR 60301 (November 4, 1999). In that review, the Department stated that although some programs continued to exist and provide, or have the potential to provide, countervailable benefits were the order to be revoked, the combined subsidy rate from the remaining programs was below *de minimis* so that revocation of the countervailing duty

order would not be likely to lead to continuation or recurrence of a countervailing subsidy. Furthermore, the domestic interested parties did not provide comments to our preliminary determination. As a result of our reconsideration, we find that the net subsidy rate likely to prevail were the order revoked is *de minimis*. Because any subsidy rate would be *de minimis*, we find that it is not likely that revocation of this order would lead to continuation or recurrence of countervailable subsidies.

Therefore we will report a *de minimis* rate to the Commission. The *de minimis* rate is contained in the *Final Results of Review* section of this decision memorandum.⁴

Nature of the Subsidy:

Consistent with section 752(a)(6) of the Act, the Department will provide to the Commission information concerning the nature of the subsidy, and whether the subsidy is a subsidy described in Article 3 or Article 6.1 of the Subsidies Agreement. Because receipt of benefits provided by the GOI's countervailable program is contingent upon exports, the following program falls within the definition of export subsidies under Article 3.1 (a) of the subsidies Agreement.

The Valmix loan– Under Law 227/77, the Mediocredito Central S.p.A. (Mediocredito), a GOI-owned development bank, provides interest subsidies on export credit financing (the Valmix loan). Under the program, the Mediocredito makes an interest contribution to offset the cost of a supplier's or buyers credit financed by a commercial bank. The Department determined that the

⁴ In a sunset review the Department does not report any rates to the U.S. Customs and Border Protection. The five-year sunset review is a limited review, unlike an administrative review, to determine if revocation of the order is likely to lead to continuation or recurrence of dumping or net countervailable subsidy and at what rate. As noted above, the Department is required to report to the ITC the magnitude of the net countervailable subsidy rate likely to prevail (emphasis added) if the order were revoked.

interest contributions provided on the Valmix loan constitute a countervailable export subsidy under section 771(5) of the Act. See Final Determination at 40480.

Final Results of Review

We determine that benefits from the following programs would likely continue or recur were the order revoked:

Export Credit Financing under Law 227/77 (the Valmix loan)	0.15
Law 451/94 Early Retirement Benefit	0.04
Lease of Bolzano Industrial Site	0.16
Bolzano Provincial Law 25/81	0.07
ECSC Article 54 Loans	less than 0.005
European Social Fund	<u>0.05</u>
Final Net Countervailable Subsidy Likely to Prevail	0.475

As a result of this review, including the analysis set forth in our preliminary and final results, the Department finds that revocation of the countervailing duty order would not likely lead to continuation or recurrence of a countervailable subsidy:

<u>Manufacturers/Producers/Exporters</u>	<u>Net Countervailable Subsidy (percent)</u>
Valbruna	0.475 (<i>De minimis</i>)
All Others	0.475 (<i>De minimis</i>)

Recommendation

Based on our analysis of the comments received, we recommend adopting all of the above positions. If these recommendations are accepted, we will publish the Final Results of Review in the Federal Register.

AGREE _____ DISAGREE _____

Jeffrey A. May
Acting Assistant Secretary for
Import Administration

(Date)